

NEWS RELEASE

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ATTORNEY GENERAL LOCKYER, CALIFORNIA PUC ANNOUNCE \$8.5 MILLION SETTLEMENT WITH MCI WORLDCOM OVER SLAMMING, CRAMMING , UNFAIR BUSINESS PRACTICES

(SAN FRANCISCO) – Attorney General Bill Lockyer and the California Public Utilities Commission (PUC) today announced the settlement of a major consumer protection lawsuit against long-distance service provider MCI WorldCom Communications, Inc., and its parent company, WorldCom, Inc.

Approved today by San Francisco Superior Court Judge Alfred G. Chiantelli, the judgment requires MCI to pay a total of \$8.5 million in penalties and reimbursements to the Attorney General's Office and the PUC for the costs of the investigation.

"This settlement represents a major victory for California consumers who are tired of getting ripped off by long-distance companies that try to gain residential and small-business customers by deceptive means," Lockyer said. "We expect this judgment will serve as an industry model and as a wake up call to other long-distance providers that we will not tolerate slamming, cramming or other underhanded business practices."

PUC President Loretta Lynch said the settlement would ensure that customers know the terms of their offers before they sign up and before they get their first bill. "Under this judgment, MCI will have to stop the deceptive practices that resulted in thousands of complaints from California consumers," she said.

The PUC and the Attorney General's Office sued MCI in July 2000 after investigating thousands of complaints from consumers about the company's deceptive business practices. The investigation revealed that MCI routinely engaged in "slamming," or changing long-distance service providers without permission or through deception, and "cramming," which involves billing for add-on services the consumers have not authorized. The investigation also found that the company continued charging consumers after they canceled their MCI service and hid the actual costs of services it advertised.

The settlement authorizes the PUC and the Attorney General's Office to monitor MCI for compliance with the terms of the settlement, and to ensure that MCI makes major changes in its advertising practices.

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The judgment requires MCI to prevent the practice of switching a customer's long-distance service provider without their permission or through deception, billing for add-on services without a consumer's authorization, and continuing to charge consumers for services they cancelled.

MCI also agreed to track and promptly resolve complaints from California consumers, and the company is barred from attempting to collect on bills that are still in dispute. The company also agreed to clearly and conspicuously disclose to consumers the following information about its advertised rates:

- All restrictions on rates, including whether the advertised prices apply to state-to-state or in-state calls and the times and days those advertised rates apply;
- All mandatory monthly minimum charges and fees;
- All charges and rates for its "10-10-9000" directory assistance and connection service and its "10-10-321" dial-around service;
- All restrictions that apply to advertisements offering airline frequent flyer mileage, including how many miles can be accrued, how the miles are credited and whether the consumer must remain an MCI customer for a specific period of time to obtain the frequent flyer miles;
- The basis for all claims about rate comparisons with or savings over the plans and services offered by other long-distance carriers.

In addition, MCI must provide its customer service representatives with the training and authority they need to answer customers' questions and resolve complaints. MCI telemarketers will be required to provide complete and accurate information about MCI services that they are trying to sell. The company also must develop formal scripts for use by telemarketers and monitor sales calls to ensure the telemarketers are not violating terms of the court judgment.

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